

UINTAH RECREATION DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

**UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

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**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Uintah Recreation District
Vernal, Utah 84078**

We have audited the accompanying financial statements of the business-type activities of Uintah Recreation District (a component unit of Uintah County) as of and for the year then ended December 31, 2006 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Recreation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

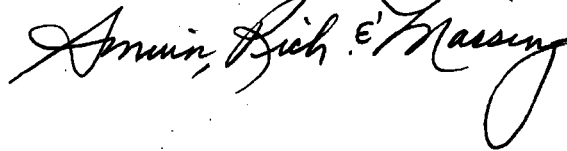
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Uintah Recreation District as of December 31, 2006, and the changes in financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 2007 on our consideration of Uintah Recreation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information, required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin, Rich & Marsing", written in dark ink.

Price, Utah

June 9, 2007

**UINTAH RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of the Uintah Recreation District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements.

The purpose of the District is to manage and operate the parks and recreation programs for the residents of Uintah County including, but not limited to, all city/county parks, the Dinaland Golf Course, Uintah Swimming Pool, Naples Family Splash Park, and the county's television boosters.

FINANCIAL HIGHLIGHTS

- The District's net assets increased \$3,482,746 as a result of this year's operation. This is the third year of a substantial increase, which is again attributed to the mineral lease funds received.
- The District's total operating expenses were \$2,132,433, a decrease from \$2,356,739 in 2005.
- The District's total revenues were \$9,776,332; a significant increase from \$8,802,578 (the majority from the increase in mineral lease funds received) in 2005.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows provide information about the activity of the District as a whole and present a long-term view of the District's finances. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

REPORTING THE DISTRICT AS A WHOLE

The District realizes revenue from three main sources; charges for service, mineral lease revenue, and interest earnings. These funds are used to purchase equipment, supplies, labor expenses, and other operating expenses used for the operation and maintenance of the facilities the District manages.

Our analysis of the District as a whole begins on page 9. The Statement of Net Assets and Statement of Revenues, Expenses and Change in Net Assets report information about the District as a whole and about its activities, in a way that helps determine if the District is better or worse off as a result of the current years activities.

These two statements report the District's net assets and changes in net assets. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are an indicator of whether the financial position of the District is becoming stronger or weaker.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District has only one fund, which accounts for the activity of the District. The entity-wide financial statements, which begin on page 9, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using the accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT AS A WHOLE

The net assets of the District increased by \$3,482,746. The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's business-type activities.

Table 1
Net Assets

	Business-Type Activities	
	2005	2006
Current and other assets	\$ 9,392,749	\$ 18,902,774
Capital assets	2,909,465	4,490,759
Total assets	<u>\$ 12,302,214</u>	<u>\$ 23,393,533</u>
Long-term debt outstanding		\$ 1,903,158
Other liabilities	\$ 280,321	5,985,736
Total liabilities	<u>\$ 280,321</u>	<u>\$ 7,888,894</u>
Net assets:		
Investment in capital assets, net of debt	\$ 2,874,860	\$ 2,591,759
Restricted	1,628,590	7,075,766
Unrestricted	7,518,443	5,837,114
Total net assets	<u>\$ 12,021,893</u>	<u>\$ 15,504,639</u>

Net assets of the District are \$15,504,639. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements are \$5,837,114. These net assets are used to finance the continuing operation of providing recreation services to the citizens of Uintah County. This is a decrease of \$1,681,329 from 2005, the majority of which was used to finance the beginning of construction on a new recreation center. Although the District cannot rely on the increase every year, of its mineral revenue it is projected that the county will continue at its present rate for the next few years.

THE DISTRICT AS A WHOLE (Continued)

Table 2
Change in Net Assets

	Business-Type Activities	
	2005	2006
Revenues		
Program Revenues:		
Charges for services	\$ 478,113	\$ 596,365
Mineral lease revenue	8,147,009	8,645,542
General Revenues:		
Interest	171,433	534,425
Grants and contributions	250	
Other general revenues	5,773	
Total revenues	<u>\$ 8,802,578</u>	<u>\$ 9,776,332</u>
Expenses		
Program expenses:		
Salaries and fringe	\$ 963,289	\$ 1,073,907
Board expense		27,311
Administrative fees	15,000	
Professional services	106,923	104,767
Materials and supplies	6,690	56,387
Utilities	159,570	206,559
Travel	40,744	7,208
Insurance	44,737	37,867
Gas and auto		33,117
Depreciation	158,012	193,502
Recreation programs	118,459	130,939
Building and grounds maintenance	120,842	105,805
Equipment supply and maintenance	80,037	91,567
Telephone	16,378	19,893
Scholarships	475,697	
Other	50,361	43,604
Total program expenses	<u>\$ 2,356,739</u>	<u>\$ 2,132,433</u>
Net operating income (loss)	<u>\$ 6,445,839</u>	<u>\$ 7,643,899</u>

THE DISTRICT AS A WHOLE (Continued)

Table 2
Change in Net Assets (Continued)

	Business-Type Activities	
	2005	2006
Non-Operating Expenses:		
Contributions to other governments	\$ 84,660	\$ 4,156,103
Bond issuance/Loss on disposal of C.A.		5,050
Improvements to other governments	374,268	
Total non-operating expenses	<u>\$ 458,928</u>	<u>\$ 4,161,153</u>
Change in net assets	<u>\$ 5,986,911</u>	<u>\$ 3,482,746</u>
Net assets-beginning	\$ 6,034,982	\$ 12,021,893
Net assets-ending	<u>12,021,893</u>	<u>15,504,639</u>
Change in net assets	<u>\$ 5,986,911</u>	<u>\$ 3,482,746</u>

BUDGETARY HIGHLIGHTS

Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity-wide basis. The actual charges to expenses were below the final budget amount. Actual revenues were above the final budget amount and came from an increase in mineral lease funds. It is and will always continue to be a challenge to determine oil and gas production in the county, and the amount of funds that will be allocated to the District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2006, the District had net capital assets of \$4,490,759 in a broad range of capital assets including land, buildings, machinery, equipment, and improvements to facilities. Major additions include the construction of a new recreational center, the purchase of land and the purchase of equipment. (See table 3 on next page.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Business-Type Activities	
	2005	2006
Land and easements	\$ 1,565,235	\$ 1,714,583
Water rights	26,790	26,790
Buildings	217,155	206,079
Improvements other than buildings	148,164	133,449
Machinery and equipment	917,516	867,737
Work in progress		1,542,121
Total	<u>\$ 2,874,860</u>	<u>\$ 4,490,759</u>

This year's major additions included:

Acquisition of land and equipment:

Construction of recreational center (paid by mineral lease monies)	\$ 1,542,121
Land purchase (paid by mineral lease monies)	149,348
Purchase of equipment (paid with mineral lease monies and recreation fees)	121,563

\$ 1,813,032

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

During the year ended December 31, 2006, the District issued revenue bonds in the amount of \$2,000,000 for the purpose of constructing a recreational center. The bonds are non-interest bearing and will be paid over the next fifteen years. Outstanding debt at the end of the year is reported below in table 4.

Table 4
Outstanding Debt at Year-end

	<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2006</u>
Revenue Bonds Payable	<u>\$...</u>	<u>\$ 2,000,000</u>

The District's 2007 budget calls for it to spend approximately \$6,148,500 for capital projects, principally for the construction of a new recreation facility, equipment and improvements to the parks and recreation areas in the community.

ECONOMIC FACTORS AND FUTURE BUDGET

The District relies heavily on mineral lease revenue funds. Although there was again a sizable increase in oil and gas production from 2005 to 2006, the District cannot rely on this type of increase every year. It should be noted that the allocation of mineral lease money to the District has been reduced because the County has created three additional special service districts and funded them by reducing mineral lease money to the Recreation District as well as other Special Districts.

Revenues are also generated through program fees (charges for service). During the year, the District saw an increase in these revenues, they will be looking at ways to improve and expand ongoing programs.

Economic changes like unemployment or population, unless major, do not have an impact on the District. However, 2006 did see an increase in population, which helped determine the need for the new recreation facility.

The above factors have been considered in preparing the District's 2007 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Uintah Recreation District at 134 West Main, Suite 101, Vernal, UT 84078.

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

DECEMBER 31, 2006

ASSETS

Current Assets:

Cash	\$ 497,330
Investments, at cost	9,996,655
Accounts receivable	1,427
Due from other governments	<u>1,331,596</u>

Total current assets \$ 11,827,008

Noncurrent assets:

Bond issuance costs	\$ 19,861
Restricted Cash	34,605
Restricted investments, at cost	7,021,300
Capital Assets:	
Land	1,714,583
Water rights	26,790
Buildings	221,530
Improvements	158,225
Equipment	1,499,499
Work in progress	1,542,121
Less: Accumulated depreciation	<u>(671,989)</u>

Total noncurrent assets 11,566,525

Total assets \$ 23,393,533

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 763,066
Warrants outstanding	36,381
Accrued liabilities	53,289
Deferred revenue	5,000,000
Revenue bonds payable - Due within one year	<u>133,000</u>

Total liabilities \$ 5,985,736

"The accompanying notes are an integral part of this statement."

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

DECEMBER 31, 2006

LIABILITIES AND NET ASSETS

Noncurrent liabilities:

Compensated absences	\$ 36,158
Revenue bonds payable - Due in more than one year	<u>1,867,000</u>

Total noncurrent liabilities	<u>\$ 1,903,158</u>
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Total liabilities	<u>\$ 7,888,894</u>
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Net Assets:

Invested in capital assets, net of related debt	\$ 2,591,759
Restricted	7,075,766
Unrestricted	<u>5,837,114</u>

Total net assets	<u>\$ 15,504,639</u>
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Total liabilities and net assets	<u><u>\$ 23,393,533</u></u>
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"The accompanying notes are an integral part of this statement."

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

DECEMBER 31, 2006

Operating Revenues:	
Intergovernmental revenues	\$ 8,645,542
Charges for services	596,365
	<hr/>
Total operating revenues	\$ 9,241,907
	<hr/>
Operating Expenses:	
Salaries and benefits	\$ 1,073,907
Board expenses	27,311
Professional services	104,767
Office supplies	12,558
Utilities	206,559
Travel	7,208
Insurance	37,867
Depreciation	193,502
Gas and auto	33,117
Recreation programs	130,939
Building and grounds maintenance	105,805
Equipment supply and maintenance	91,567
Telephone	19,893
Water stock assessments	4,401
Rent	9,377
Chemicals and other supplies	43,829
Advertising	21,520
Miscellaneous	8,306
	<hr/>
Total operating expenses	\$ 2,132,433
	<hr/>
Operating income/(loss)	\$ 7,109,474
	<hr/>

"The accompanying notes are an integral part of this statement."

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	<u>DECEMBER 31, 2006</u>
Non-operating Revenues (Expenses):	
Interest revenue	\$ 534,425
Contributions to other governments	(4,156,103)
Bond issuance costs	(1,419)
Loss on disposal of capital assets	(3,631)
	<hr/>
Total non-operating revenues (expenses)	\$ (3,626,728)
	<hr/>
Change in net assets	\$ 3,482,746
	<hr/>
Total net assets, January 1, 2006	12,021,893
	<hr/>
Total net assets, December 31, 2006	\$ 15,504,639
	<hr/>

"The accompanying notes are an integral part of this statement."

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:		
Cash received from customers	\$ 596,016	
Cash payments to suppliers for goods and services	(284,672)	
Intergovernmental revenue	9,860,951	
Cash payments to employees for services	(1,045,686)	
Net cash provided (used) by operating activities		\$ 9,126,609
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (1,813,032)	
Bond proceeds	2,000,000	
Bond issuance costs	(21,280)	
Contributions to other governments	(4,156,103)	
Contributions from other governments	5,000,000	
Net cash provided (used) for capital and related financing activities		1,009,585
Cash flow from investing activities:		
Interest received on investments	\$ 534,425	
Net cash provided (used) by investing activities		534,425
Net increase (decrease) in cash and cash equivalents		\$ 10,670,619
Cash and cash equivalents at beginning of year		6,879,271
Cash and cash equivalents at end of year		\$ 17,549,890

"The accompanying notes are an integral part of this statement."

UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES:

Operating income (loss)		\$ 7,109,474
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 193,502	
Change in assets and liabilities:		
Increase in accounts receivable	(349)	
Decrease in governmental receivables	1,215,409	
Increase in accrued liabilities	13,955	
Increase in accounts payable	724,949	
Increase in compensated absences	14,266	
Decrease in warrants outstanding	(144,597)	
		<hr/>
Total adjustments		2,017,135
		<hr/>
Net cash provided (used) by operating activities		\$ 9,126,609
		<hr/>

"The accompanying notes are an integral part of this statement."

**UINTAH RECREATION DISTRICT
(A COMPONENT UNIT OF UINTAH COUNTY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Uintah Recreation District (the District) have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The accompanying financial statements present the financial position of the Enterprise Fund and the results of operations. The financial statements are presented as of December 31, 2006, and for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the District.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- 1) A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operation.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards and commissions. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District. According to the standards listed above, there are no entities that should be included in the District's financial statements as component units.

The District is considered a component unit of Uintah County and has been included in the County's financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government – Wide Financial Statements**

The government-wide financial statements consist of the statement of net assets, the statement of revenues, expenses and changes in fund net assets and the statement of cash flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that its costs to provide goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges. The function of the District is to provide recreational services to the population, which lives within the District's boundaries. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide or proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources, as they are needed.

Amounts reported as program revenues include charges to customers for goods and services associated with recreational activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District also recognizes as operating revenue, mineral lease funds they receive from Uintah Special Service District. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Capital Assets

The District defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment is depreciated using the straight-line method over the estimated useful life of six to ten years.

E. Budgets and Budgetary Accounting

Uintah Recreation District follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

1. The District adopts a formal budget.
2. The budget is a complete financial plan, which identified all estimated revenues and all appropriations for expenditures for the year.
3. On or before November 1st, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least ten days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.
7. The Board of Trustees considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board of Trustees adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. **Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

Employees can carry over, up to 160 hours of unused vacation from one year to the next. Hours that exceed the 160 hours are lost if unused. Employees can carry over, up to 240 hours of unused comp-time from year to year. Employees will be paid for any unused comp-time in excess of 240 hours. Employees can carry over unlimited hours of unused sick leave from one year to the next. Employees will only be paid for unused sick leave upon retirement.

At December 31, 2006, compensated absences totaled \$36,158 and have been accrued as a liability on the statement of net assets.

G. **Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with maturity of six months or less when purchased to be cash equivalents. Cash, including restricted cash, and funds invested with the State Treasurer's Public Investment Pool are considered to be cash equivalents.

H. **Accounts Receivable**

Accounts receivable arise from charges to individual District customers for recreational fees uncollected at the end of the year.

I. **Due From Other Governments**

Due from other governments arises from the mineral lease payment for the quarter ending December 2006 received in February 2007 from the State Department of Transportation.

J. **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$525,022 of this amount \$134,605 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 17,017,955	\$ 17,017,955			
Total Investments	<u>\$ 17,017,955</u>	<u>\$ 17,017,955</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 17,017,955				\$ 17,017,955
Total	<u>\$ 17,017,955</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 17,017,955</u>

2. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$17,017,955 invested in the Public Treasurer's Investment Fund and was held by them.

3. **RESTRICTED CASH/NET ASSETS**

The cash that is restricted in the financial statements includes \$34,605 given to, and held by, Vernal City in a bond reserve account for bonds issued for improvements to and/or creation of a recreational facility.

4. **CONTRIBUTIONS TO OTHER GOVERNMENTS**

Uintah Recreation District operates and maintains the indoor pool, the splash park, the golf course, parks as well as other buildings and land that the District does not own. Therefore, the expenditures paid for by the District for improvements to these facilities and land are not capitalized on the Statement of Net Assets but are shown as Contributions to other governments in the Statement of Revenues, Expenses and Changes in Fund Net Assets. Also included in the amount of Contributions to other governments is the amount of Scholarship money given to the new Economic Development Special Service District.

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,565,235	\$ 149,348		\$ 1,714,583
Water rights	26,790			26,790
Work in process		1,542,121		1,542,121
Total capital assets not being depreciated	\$ 1,592,025	\$ 1,691,469	\$...	\$ 3,283,494
Capital assets being depreciated:				
Buildings	\$ 221,530			\$ 221,530
Improvements	158,225			158,225
Equipment	1,431,524	\$ 121,563	\$ (53,588)	1,499,499
Total capital assets being depreciated	\$ 1,811,279	\$ 121,563	\$ (53,588)	\$ 1,879,254
Less accumulated depreciation for:				
Buildings	\$ 4,375	\$ 11,076		\$ 15,451
Improvements	10,061	14,715		24,776
Equipment	514,008	167,711	\$ (49,957)	631,762
Total accumulated depreciation	\$ 528,444	\$ 193,502	\$...	\$ 671,989
Total capital assets, being depreciated, net	\$ 1,282,835	\$ (71,939)	\$...	\$ 1,207,265
Business-type activities capital assets, net	\$ 2,874,860	\$ (71,939)	\$...	\$ 4,490,759

6. PENSION PLANS

Contributions for Uintah Recreation District employees have been made to the Local Governmental Noncontributory Retirement System for employers with Social Security coverage that is a cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0% of their annual covered salary and Uintah Recreation District is required to contribute 11.09% of its annual covered salary from January 2006 through June 2006 and contributes 11.59% of its annual covered salary from July 2006 through December 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Uintah County's contributions to the Local Governmental Noncontributory Retirement System for the years ending December 31, 2006, 2005 and 2004 were \$4,998, \$4,532 and \$3,989 respectively. The contributions were equal to the required contributions for each year.

7. CONTINGENT LIABILITY

Uintah Recreation District is responsible for the operation and maintenance of the golf course owned by Vernal City. As revenues, generated by the golf course are retained by the District, it is required to make annual contributions to the City to reduce the debt incurred to purchase the golf course. The payment made during 2006, including interest, totaled \$49,505. The payment is shown as part of contributions to other governments on the statement of Revenues, Expenses and Changes in Fund Net Assets.

Although Uintah Recreation District has no contracted liability associated with the bonds held by Vernal City for the expansion of the golf course, it is anticipated that the District will continue to make contributions to Vernal City to help in the retirement of the bonds.

On May 19, 2004, the District entered into an agreement with the Alvin and Virginia Kay family to purchase land, water rights and irrigation equipment. As part of this agreement the District also made a commitment to erect a memorial gate and entrance to the property at a cost not to exceed \$10,000. The District also made a covenant the land would be restricted to recreational and educational use.

8. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1992, the District as a component unit of Uintah County joined together with other counties in the State to form the Utah Association of Counties (UAC), a public entity risk pool currently operating as a common risk management and insurance program for member Counties. The District pays an annual premium to UAC for its general insurance coverage. The Agreement for Formation of the UAC provides that UAC will be self-sustaining through member premiums and will reinsure through commercial companies.

The District continues to carry commercial insurance for workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two years.

9. **DEBT**

On September 14, 2006, Uintah Recreation District issued Taxable Lease Revenue Bonds, Series 2006 in the amount of \$2,000,000 to be used to help fund the construction of a recreation center. The revenue bonds are to be repaid over a fifteen-year period. There is a zero percent interest rate on the bonds and they require an annual principal debt payments ranging from \$133,000 to \$134,000.

	Balance 12-31-05	Additions	Adjustments and Retirements	Balance 12-31-06	Due Within One Year
Taxable Lease Revenue Bonds - Series 2006		\$2,000,000		\$ 2,000,000	\$ 133,000
Compensated Absence	\$ 21,890	14,268		36,158	
Total	<u>\$ 21,890</u>	<u>\$2,014,268</u>	<u>\$...</u>	<u>\$ 2,036,158</u>	<u>\$ 133,000</u>

9. **DEBT (Continued)**

Annual debt service requirement to maturity for bonds are as follows:

<u>Year Ending December 31,</u>	<u>Total Principal</u>
2007	\$ 133,000
2008	133,000
2009	133,000
2010	133,000
2011	133,000
2012-2016	665,000
2017-2031	670,000
	<u>\$ 2,000,000</u>

10. **RESTRICTED NET ASSETS**

During the year ended December 31, 2006, the District issued \$2,000,000 in revenue bonds to help in the construction of a recreation center. The District also received a contribution from Uintah County in the amount of \$5,000,000 as part of the funding for the recreation center. These funds were deposited into a public treasurer investment fund account. This account earned \$21,300 as of the end of the year.

When the District issued the Series 2006 bonds they paid \$21,280 in bond issuance costs. These costs have been included as restricted net assets. Below the elements of restricted assets have been listed:

Bonds issued for construction of recreation center	\$ 2,000,000
Contribution from Uintah County	5,000,000
Bond issuance costs	19,861
Funds held by Vernal City	34,605
Interest on recreation funds	<u>21,300</u>
Total restricted net assets	<u>\$ 7,075,766</u>

11. **OTHER COMMITMENTS**

For the past several years, the District has planned on developing a comprehensive recreation area. This plan was put into motion when the District purchased a parcel of land consisting of approximately 80 acres. During 2006, the District continued with its plan by hiring an architect to design a recreation center. The District also issued bonds in the amount of \$2,000,000 and Uintah County issued bonds in the amount of \$5,000,000, which the County contributed, to the District all to be used for the construction of the recreation center.

In December of 2006, the District entered into a construction contract with Layton Construction to building the recreation center. The construction contract was signed for \$17,151,664. Layton Construction was paid \$1,164,345 in 2006. The construction on the recreation center is to be completed by April 1, 2008.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Uintah Recreation District
Vernal, Utah 84078

RE: Report on Compliance and on Internal
Control Over Financial Reporting Based
on an Audit of Financial Statements Per-
formed in Accordance With Government
Auditing Standards

We have audited the financial statements of the business-type activities of Uintah Recreation District as of and for the year ended December 31, 2006, which comprise Uintah Recreation District's basic financial statements and have issued our report thereon dated June 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

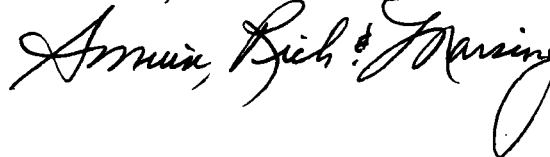
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Uintah Recreation District in a separate letter dated June 9, 2006.

This report is intended solely for the information and use of the audit committee, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin, Rich & Marsing", written in dark ink.

Price, Utah

June 9, 2007

SMUIN, RICH & MARSING

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Uintah Recreation District
Vernal, Utah 84078

Re: Report on Legal Compliance with
Applicable Utah State Laws and
Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the business-type activities of Uintah Recreation District for the year ended December 31, 2006, and have issued our report thereon dated June 9, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)
Community Impact Loan (Department of Community and Economic Development)

Uintah Recreation District did not receive any non-major grants during the year.

Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Cash Management
Purchasing Requirements	Budgetary Compliance
Special Districts	Other Compliance Requirements

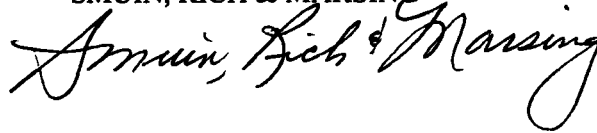
The management of Uintah Recreation District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the firm's name.

Price, Utah

June 9, 2007

SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Uintah Recreation District
Vernal, Utah 84078

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Uintah Recreation District for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

STATE OF UTAH GENERAL REQUIREMENTS

Deposit Requirements

Utah Code Section 51-4-2(2) states that "All public funds shall be deposited daily, whenever practicable, but not later than three days after receipt." During the audit of the financial statements for the year ended December 31, 2006, we found the District had not complied in some instances with the three-day deposit rule. Of sixty-one receipts tested, we found that ten were not deposited within the required three-day period. Most receipts deposited beyond the three-day rule were from the sports activity programs.

We recommend that management review the requirements for depositing public funds with employees responsible for depositing money received by the District. We also recommend the District implement the procedures necessary to make sure that District employees comply with this requirement.

District's Response - The District understands the three-day deposit requirement and will make every effort to comply.

SUMMARY

We feel the items mentioned above are areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING



Price, Utah

June 9, 2007